



Report to the Auburn City Council

Action Item

Agenda Item No. 7

City Manager Approval

To: Mayor and City Council Members
From: Bernie Schroeder, Director of Public Works
Date: January 23, 2012
Subject: Regional Sewer Project Update

The Issue

Shall the City provide the Placer County Board of Supervisors, the City of Auburn's intent to participate with the Regional Sewer Project?

Conclusion and Recommendation

Staff recommends the City Council to provide input whether or not they are willing to commit the City of Auburn to a regional wastewater treatment project and under what circumstances or constraints they would be willing to do so.

1. Staff recommends if Council chooses to move forward with the Regional Sewer Solution that it be conditioned as follows:
 - City of Auburn would not be committing to planning & design costs
 - Placer County would commit to rate stabilization for the City of Auburn ratepayers for the next 5 years
 - Any future funding contribution would also include funding for Lincoln's anticipated future wastewater treatment plant expansion.
2. Accept, Modify or Deny the attached Resolution as provided by Council Member Kirby.

Background

Purpose of This Item:

At the Placer County Board of Supervisors (BOS) meeting on December 6th, the BOS discussed the compliance direction for the North Auburn's Sewer Maintenance District # 1 Wastewater Treatment Plant (SMD#1). The two primary compliance directions for SMD#1 are to proceed with a regional solution by connecting to the City of Lincoln's Wastewater Treatment Facility or by upgrading and expanding SMD#1. Since SMD#1 is currently under a compliance schedule with the Central Valley Regional Water Quality Control Board and are currently incurring Mandatory Minimum Penalties (MMPs), the BOS needs to make a finalize decision as their compliance direction by the middle of March. With a unanimous vote from the BOS, the BOS directed staff to adopt Alternative A (as described below) including direction to staff to proceed with a regional solution for SMD #1 compliance and return to the Board no late than March 13, 2012 with recommendations for a final BOS decision. The BOS requested staff to collaborate with staff of the

City of Auburn, City of Lincoln, and SPMUD (South Placer Municipal Utility District) including clarification as to the City of Auburn's intent to participate in a Regional Sewer Project. Some Board members indicated a willingness to provide financial support to City ratepayers to offset costs that might otherwise be incurred in pursuing a regional solution.

Placer County Board of Supervisors Approved Motion:

Alternative A – as written in the Placer County Summary Action dated December 6, 2012:

Dec. 2011-Mar 2012:	Confirm Viability of Preferred Regional Option
Dec. 31, 2011:	Obtain Preliminary Funding Commitment from SRF for the Upgrade Project to preserve credit and preliminary funding approval
No later than Mar. 13, 2012:	County Board Final Decision on Whether to Continue to Pursue a Regional Sewer Project or Award the SMD 1 Upgrade and Expansion Project Bid
	Need Determination of Viable Governance/Ownership Structure, Agreement from All Stakeholders, Key Deal Points, Confirmation of Ability to Finance Project, Defined Legal Process for Proceeding, Agreement on Engineering and Design Options
Mar. 19, 2012:	Deadline to Hold SMD #1 Upgrade Bids (\$1,500/day After 12/31/2011 if bid is awarded)
	Rebid of project would result in 4-6 month delay Additional costs of \$1.4 million-\$1.8 million and an Unknown bid result.
Sept 1, 2015	Full Compliance with Discharge Standards

If this alternate is selected, the upgrade and expansion of SMD#1 would remain a fall back option until March 19, 2012, in the event a regional solution is not possible.

Staff was directed to also accept other Design Build submittals until 12/31/11 that would be considered along with other SMD#1 upgrade options as part of the fall back option. With this alternate it was further requested that staff consider potential opportunities for regional approaches for public/private partnerships that may exist at the current SMD#1 site.

In addition, it was requested that staff develop a side by side comparison of Brown and Caldwell and Lincoln option; begin the project description for the environmental review process, and determine whether the PERC project can utilize SRF financing.

During the December 6, 2011 BOS discussion (immediately following the approved motion) it was further clarified that the Lincoln Proposal is to be the basic model of the Regional Project as it currently stands.

On December 13th, two of the Board of Supervisors sent a letter – Attachment A- to the Mayor of Auburn to request the City of Auburn's interest in participating with the County of Placer and City of Lincoln in a Regional Sewer Project. The Board of Supervisors requested that the City Council address the Regional Sewer Project issue in January 2012, so the Board of Supervisors could receive the City's interest by early February 2012.

Goals of the Placer Nevada Wastewater Authority (PNWA) Regional Sewer Concept

The City of Auburn has participated as a member of the PNWA since 1999. The PNWA was formed as a means for obtaining available grant funding for a Regional Sewer Project. The Regional Sewer Project was to:

- A. Provide Economies of Scale – Reduce costs to customers by an increase in the user base.
- B. Mitigate Regulatory Uncertainty – Allow new compliance options to address future regulations.
- C. Provide Reclaimed water to Lincoln.
- D. Obtain Federal Funding for the Project.

There are essentially two components of the project:

The first is the construction of three primary sections of a transmission pipeline: An approximate 8 mile section of pipeline from Placer County SMD#1 plant in North Auburn that would connect with another 8 mile section of pipeline from Auburn's plant. From that junction point there would be a section of 4 mile pipe shared with Placer County to a point where it would eventually flow into Lincoln. Please refer to Attachment B – Regional Sewer Pipeline Alignment. These facilities are estimated to cost \$16.5 million.

The second component would be an upgrade to the Lincoln Wastewater Treatment Plant. This cost as identified in the Lincoln Proposal is estimated to cost 11 million dollars for Auburn (includes reimbursement and design costs).

The principles assumed with the Regional Project were that it would essentially get the smaller plants, such as Placer County and Auburn out of the wastewater business and that federally subsidies would be available to fund this effort.

Status the Regional Sewer Project

The Regional Sewer project is a large, interagency project that has three major areas that need to be developed so the City Council can make an informed decision.

- Technical Elements–
 - Typically includes the preparation of project level budgets, schedule, environmental studies and design activities. Currently, planning level budgets for the Regional Project have been completed.
 - A preliminary Project Description for the CEQA document was recently authorized by the County however the Design has not been initiated due to the significant costs.
- Institutional Elements–
 - Agency coordination has occurred at the PNWA
 - Governance structures have been discussed at length with the PNWA, but no formal decisions have been made to date.
 - Cost sharing formulas have been proposed in the Lincoln Proposal, but future cost sharing decisions have not been finalized
 - Contracts have not been initiated, such as a wholesale contract with Lincoln or an operations agreement
- Financial Elements–

- Rate and fee impacts have been preliminary reviewed, but a formal review has not been completed.
 - Auburn would have to fund the project through the rates, which would necessitate a rate increase.
- Risk assessments

The majority of these issues have not been resolved to the extent that the City could make commitments to a regional solution without assuming an amount of risk.

Two Primary Means of Achieving a Regional Project Currently Being Considered:

Creation of a Joint Powers Authority

The PNWA Board has had discussions regarding the creation of a Joint Powers Authority (JPA) to own and manage the Regional Sewer Project. The PNWA is also considering an option to be annexed into South Placer Municipal Utility District (SPMUD) boundaries. The PNWA is assuming that the costs from the City of Lincoln's are consistent with a project governed by a JPA or SPMUD

City of Lincoln Proposal

On January 10, 2011, the City Council approved a \$28,000 share of funding authorizing a value engineering study specifically for the purpose of providing detailed engineering to allow the City of Lincoln to make a firm price proposal to both the City of Auburn and the County of Placer for construction of the Mid-Western Placer Regional Sewer Project. The City of Lincoln prepared the Firm Price Proposal and has estimated the firm costs for Auburn to participate in Lincoln's proposal at \$27.5 million if Auburn and Placer County participate and \$37.5 million if Auburn goes alone.

The Lincoln City Council approved this proposal on February 10, 2011 and although their City Manager offered to consider other "deal points" or revisions, they have not been presented nor approved any other version than presented in the following discussions.

The City of Lincoln's Firm Price Proposal is a turn-key project where Lincoln manages design and construction and owns and operates the facilities. The proposal from Lincoln did include some firm dates that have since expired, but Lincoln has expressed that the dates that were included were to initiate a timely decision and would be extended if the agencies express interest in pursuing the project. The schedule for decisions is largely driven by Placer County who is required to decide between a large on-site upgrade project (\$50 million) or the Regional Sewer Project as their compliance option.

Overview of Lincoln's Offer

- The City of Lincoln would acquire the permits, complete the environmental process, complete the engineering design, build, operate and own the regional pump station, pipelines and expanded regional wastewater facility at Lincoln. For Auburn this would be defined as all of the infrastructure beginning at and including the current Auburn WWTP to Lincoln WWTP.
- Beginning in March 2011, Auburn was to pay Lincoln \$174,000 per month (total of \$1.848 million) for Auburn's share of the design, permitting and City of Lincoln

administration. If Placer County chooses not to participate then Auburn's share increases to \$2.8 million.

- Assuming the project followed the proposed schedule by Lincoln, the City of Auburn would be required to begin Proposition 218 Hearing this year to commit to fund the regional project. For the purposes Proposition 218 sewer rate hearing for increases, Auburn and Placer County would be considered wholesale customers to Lincoln.
- The schedule was to have been initiated and completed design in 2011, construct in summer 2012 and connect Auburn customers in July 2014.
- The project is estimated to cost \$27.5 million if Auburn and Placer County participate and \$37.5 million if Auburn goes alone.
 - The project involves pretreatment at the Auburn WWTP, which does not get the City out of the wastewater business.
- If a decision had not been made by March 30, 2011 the City of Lincoln has indicated that the firm price will be increased by 5% (\$1.22 million if combined with the County and \$1.88 million if Auburn participates alone).
- Lincoln's firm price costs relating to Operations and Maintenance will remain firm (indexed with inflation) for the first five years then will be adjusted due to any treatment costs increases.
- Please refer to the attached staff estimated costs utilizing the Firm Price Construction and Operation Exhibit A for estimated costs based on the Lincoln Proposal. This attachment is titled Updated Capital Costs and Rate Estimate Reflecting Recent Estimates. This Exhibit is provided as Attachment C in this staff report.
- Governance structures continue to be addressed at the Staff and PNWA Board level. The current offer proposes an Oversight Board made up of representatives of Auburn, Lincoln, and Placer County.

Challenges of the Lincoln Offer

- Although the Lincoln Offer provides the City with the most promising financial offer to date, the "Mid -Western Placer Regional Sewer Project" as it is called has not fully demonstrated that it would be the cheaper solution for Auburn for the next 20 + years. There are four reasons for this:
 1. The WRDA (Water Resources Development Act) and EPA (Federal Environmental Protection Agency) funds do not appear to be available for this offer, so existing rate payers will have to repurchase capacity in Lincoln through monthly sewer rates.
 2. There appears to be approximately \$200,000/year savings in O & M costs for Auburn at the Lincoln plant compared to its own plant. This does not appear to be enough annual savings to make a significant dent in the additional debt service for the debt financing the new facilities.
 3. The advanced treatment pilot testing completed by Auburn in 2010 suggests if emerging pollutants (pharmaceuticals, personal care products, etc) are regulated in the future, there may be more modular, energy intensive solutions like adding ozone to further oxidize the pollutants in the water. So, in other words, there may not be significant economies of scale for advanced treatment and Auburn has recently endeavored into cheaper electricity via the solar project at the WWTP.

4. The next major capital project that Staff foresees is the need to replace the existing oxidation ditch which was constructed in the 1970s. By replacing the oxidation ditch, the City would have essentially the same plant as Lincoln and Roseville but for a cost currently estimated at \$5 million.
- The schedule for decisions is being driven by both the County and City of Lincoln. The City of Auburn received a new amended discharge permit from the Regional Water Quality Control Board in February 2011 and is now in compliance with its NPDES permit.
 - The offer is very complicated and has some inherent risks. For instance, Auburn would be responsible for paying their share of any overruns over \$5 million.
 - Availability of makeup water during the fall when PG&E diverts water around the Auburn Ravine has not fully been vetted and remains an issue.
 - The City has not studied or reviewed the various technical, legal, financial and institutional impacts at a level necessary to determine the impact to the ratepayers. There may be exposure to legal challenges and vulnerabilities from the proposal.
 - A considerable amount of City staff and City consultants' time will be required to review the Regional Sewer Project if the Council decides to continue with the Regional Sewer Project as an alternative.
 - The Mid-Western Regional Sewer Project has not been well defined and is vulnerable to significant revisions based on the engineering and environmental work being completed.
 - Based on the City's previous wastewater expenditures for compliance there is no firm evidence that the costs to construct and operate this regional pipeline will ever be less expensive than continuing onsite upgrades to the city's facilities.

Fiscal Impact of the Lincoln Offer

Currently, the City's sewer connection fees are \$7,252 per EDU indexed annually. With this offer staff believes with limited certainty that the new connection fee would be about \$10,000-12,000 (the City of Lincoln's fee is currently \$8,455. We have assumed (As noted in the Lincoln Offer) about \$1,000 would be added to this for regional pipeline reimbursements). The costs to participate in Phase one of this offer if Auburn participated with Placer County would commit the City to \$1.8 million. The total cost for Auburn to participate in this entire offer (Lincoln to design, construct and operate) if Placer County participates is \$27.5 million and is estimated to impact monthly sewer rates by approximately \$20-25 per month within the next five years. Auburn's base monthly sewer rates would increase to about \$80-85 per month over the next 5 years. Continuing to operate the City's WWTP will require some replacement and upgrades of facilities (for instance replacement of the oxidation ditch), but Staff believe that at least over the next 10 years the current rate structure with a 2% annual rate adjustment that the current rate structure will fund the necessary upgrades to remain in compliance.

There are not adequate funds currently in the sewer fund to cover the expenditures of this entire Lincoln agreement without a necessity to initiate a sewer rate increase. Please refer to the section further in this report titled Auburn Sewer Fund for more information regarding the current status of the Auburn Sewer fund.

Auburn Wastewater Treatment Plant (WWTP)

The Auburn Wastewater Treatment Plant was built in the 1960's and currently represents the City's single largest asset. The plant is situated on 60 acres located in Ophir and contains 4 holding ponds with capacity of over 20 million gallons of storage. In addition, there is a solar voltaic field that has allowed increased energy efficiency for current operations as well as future energy regulatory related

demands. There have been a number of upgrades in the last decades with the most significant one completed in 2010 for approximately 6 million dollars. This upgrade provided full compliance with the 2005 and 2010 waste discharge permit and is anticipated to ensure compliance with the next permit cycle extending until 2015/16.

Historical data indicates the City is required to make WWTP upgrades on an average of every 10 years with an associated sewer rate increase averaging 2 percent annually. Please refer to Attachment D – this graph reflects the influence of upgrades to the increase of sewer rates. Currently, the City's sewer rates are \$58.25 per month per equivalent dwelling unit. In the rate structure there are additional charges of \$12.82 - \$25.05 for those units served by sewer lift stations. The sewer rate has three primary components: Collection system maintenance and operation, Contract Operations and Debt Service. If the City were to go with a regional sewer project the Contract Operations component would theoretically be the only component impacted by the project. Based on City Council direction it is the intent to move forward in early spring 2012 with a request for proposals associated with this contract operation with the hope to decrease this cost in the future.

Auburn's Compliance History

During the December 6, 2011 presentation the Board of Supervisors was given a graph depicting the 55 violations received by the City of Auburn since 2006. However, what was not fully explained in that presentation was that 36 of those violations were a direct result of the City delaying the 2010 onsite WWTP upgrade project in order to allow the further development of the Regional Project. In addition, 23 of the 36 violations were associated with aluminum which was then regulated at a stricter standard than the Valley plants such as Lincoln. The City of Auburn recently went back before the Regional Water Quality Board and was successful in getting that standard revised. The City is currently in full compliance.

Anticipated Future Regulations

There has been a significant effort by the Regional Water Quality Control Board to bring all WWTP's into similar levels of treatment. Recent examples of this are with Placer County presented with a 60 million total project costs (if they upgrade on site) indicating a monthly rate in the low \$80.00/month; City of Davis with a 95 million dollar onsite upgrade with monthly rate of about \$60.00/month and Sacramento Regional Wastewater Facility faced with a 2 billion dollar upgrade resulting in an increase of monthly rates from \$22.00/month to the \$60.00 /month range. In the case of Sacramento this is a regional facility with a user base of 1.4 million.

Input from the Regional Board staff has indicated that future regulations are likely to focus on a group of pollutants called contaminants of emerging concerns (CEC's). The CEC's include constituents such as pharmaceuticals, flame retardants, hormones, and personal care products that have been detected in many wastewater effluents and are not directly removed in conventional wastewater treatment. CECs are being studied by the Federal Environmental Protection Agency but have not yet established applicable water quality standards. If regulated, Regional Water Quality Board would enforce the standards thru the NPDES Permit. Since permits are renewed every 5 years and CECs are not regulated at this time, we believe that the Auburn could see CECs regulated in the next 10-15 years.

The City of Auburn recently participated in a pilot study to demonstrate how these types of pollutants could be removed. The technology could be applied at either the Auburn or Lincoln WWTP, although it is likely cheaper (per user basis) to construct at a larger facility

Auburn Sewer Fund

The City's Sewer Enterprise Fund is currently well-funded to assure the seamless, efficient operation of the existing wastewater treatment facility. This has been achieved through the implementation of rate structure approved in 2008, which included not only a rate component to service the debt necessary to undertake the recently completed compliance upgrade, but also a component to assure funding is available for ongoing capital maintenance for the entire wastewater system.

The Sewer Enterprise Fund discretionary fund balance (reserves other than those set aside for debt service) at the end of the current fiscal year is projected to be approximately \$6.38 million. These reserves will enable the City to not only provide for the recurring annual capital maintenance, but also to fully fund the planned addition of a \$4.8 million Oxidation Ditch without increasing rates above a projected 2% CPI increase each year. Discretionary fund balances at the end of the fiscal years immediately subsequent to the addition of the Oxidation Ditch are projected to remain at approximately \$1.71 million, which represents roughly 50% of annual operating expenditures.

Should the City commit to the regionalization concept, use of discretionary fund balance reserves may be required to offset design, over-sizing and capital costs associated with the project itself while, at the same time, providing the necessary funding to assure existing sewer infrastructure is appropriately maintained and updated. Use of these reserves will further require that the City seek alternative financing sources for the Oxidation Ditch. Finally, when taking into account added debt service associated with the regionalization concept, base monthly sewer rates are anticipated to increase to about \$75-80 per month over the next 5 years.

Issues Going Forward

The schedules for decisions on the Regional Project have been primarily driven by the County and the City of Lincoln. The City of Auburn received a new amended discharge permit from the Regional Water Quality Control Board in February 2011 and is now in compliance with its National Pollutant Discharge Elimination System (NPDES) permit. Due to the recently upgraded WWTP, the City currently does not have a driver to necessitate the expedited schedule unless dictated by Placer County. However, the impact to the County (per the Lincoln Proposal) is estimated to be \$2-\$4 per month per County rate payer if the City of Auburn chooses not to participate.

For the Regional Project to continue with the City of Lincoln Proposal, the City of Auburn and Placer County will need to fund the design and environmental document for the project. The design and environmental is estimated to cost \$6.6 million, which would need to be paid to the City of Lincoln within one year. The City of Auburn's portion of that is approximately \$1.848 million.

If the Regional Sewer Project consists of the Lincoln Proposal which is currently the best developed approach to date and the basis of Placer County request for commitment these are the fundamental issues:

- Regulatory drivers do not **currently** exist for Auburn.
 - The City is currently in compliance until the next permit cycle 2015/16
- Economies of scale do not **currently** exist for Auburn in the foreseeable future.
 - \$27.5 – 37.5 million in capital cost with a proposed \$200k /yr O&M savings
 - Funded primarily through rate increases without outside funding
- Governance structures have been heavily discussed at PNWA but not finalized
- If Placer County builds on-site upgrade project the Regional Project will likely be sidelined for several decades

- City of Auburn's compliance upgrade of a new ditch can be funded through the existing rate structure assuming an 2% annual increase over the next 10 years
- With the Lincoln Proposal the City of Auburn does not fully get out of the wastewater business
- The City of Auburn has the ability to expand and/or upgrade in the future with the existing site.
- With a commitment to a Regional Project there will be a rate structure and Sewer Fund Balance that does not allow for the City to upgrade on-site in the future without a significant sewer rate increase.
- Since 2004, the County has received almost 10 million and expended approximately 5.1 million in federal funds generating regional sewer projects in the County. Beneficiaries of that funding have been the Applegate Regional Sewer Project, The Newcastle Regional Sewer Project, The SMD 3 Regional Sewer Project and the subject Regional Sewer Project. The cost of Auburn City staff, associated consultant expenses and mandatory minimum penalties over the last 8 -10 years has not been included in those amounts but considered a local share. We believe these costs are between \$250,000 and \$400,000.

Alternative Actions and Council input to the BOS

1. Accept the City of Lincoln's Proposal for a Regional Sewer Project with specific constraints. City of Auburn efforts with preparing a new contract operations contract will be delayed and existing contract with CH2MHill/OMI will likely be extended to accommodate a regional project schedule.
2. PNWA direction of Regional JPA – City would start funding the environmental and design efforts with the regional partners. It is possible that the City may not be subject to the full amount however there are no longer adequate federal grant funds available for this entire effort. Outside funds such as FERC would be necessary.
3. Continue with compliance on site by re-investing in the City's older WWTP facilities, initiating the next upgrade effort and begin preparing a new request for proposal for operations contract immediately. The existing City contract with Ch2MHill/OMI is set to expire in July 2012. With this alternative City staff will begin preparing a new operations and management contract which is expected to take several months.
4. Continue with compliance on-site and request buy in capacity on common pipeline with Placer County (assuming they go regional sewer option for SMD1 plant compliance). City may be expected to start funding environmental studies and design efforts with regional partners. This alternative does not meet the immediate goals of regionalization but allows the City to keep regional as a future option.

Additional Information

The draft resolution was requested by Council Member Kirby to be presented to the Council for their consideration (See Attachment F). The City also received information from Jenine Windeshausen, Placer County's Treasurer-Tax Collector, regarding State Revolving Fund applicability to the Regional Sewer Project for the City of Auburn (See Attachment E).

Summary and Conclusions

The Auburn City Council has been clear on its intentions to achieve compliance with the State water quality goals and partnering with the County of Placer, and City of Lincoln and the other PNWA agencies on the regional sewer concept as one of the means to achieving this compliance for almost

20 years. This intention was pursued with an optimistic expectation that a clear regional sewer project was progressing. The County of Placer is now at a turning point and the regional sewer concept has not matured to a level of certainty that staff believes it needs to be in order to make a meaningful decision upon. Federal funds have not materialized and firm commitments of other outside funding are lacking. If the City of Auburn is to continue on the concurrent path of both onsite and regional solutions as means of treating wastewater one means will ultimately come at the sake of the other.

Attachments:

- A -December 13, 2012 Letter to the City from BOS
- B- Regional Sewer Pipeline Alignments – Map
- C –Exhibit A from the Lincoln Proposal – Firm Price Construction and Operations Exhibit
- D - City of Auburn’s Sewer Rates -Historical to present
- E – Memo from Jenine Windeshausen, Placer County’s Treasurer-Tax Collector
- F - Resolution

County of Placer Board of Supervisors

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District 4

JENNIFER MONTGOMERY
District 5



December 13, 2011

Mr. Keith Nesbitt, Mayor
City of Auburn
1225 Lincoln Way
Auburn, CA 95603

Dear Mayor Nesbitt and Members of the Council:

At our December 6th special meeting, the Board voted 5-0 to further evaluate a regional solution for Sewer Maintenance District 1 (SMD 1) wastewater treatment plant in North Auburn. Staff was directed to work with the Cities of Auburn and Lincoln, as well as, the South Placer Municipal Utility District to further this effort and return to the Board no later than March 13, 2012 so that we can make a final decision. As a result, we respectfully ask the City to determine its interest to participate with the County and the City of Lincoln in this regional solution prior to early February 2012.

The North Auburn SMD 1 wastewater treatment plant does not meet certain current permit requirements and the County is incurring monthly penalties, which will continue until compliance with state and federal wastewater standards are achieved. We understand that in the next several years the City too will be required to construct upgrades to address regulatory compliance at the Auburn sewage treatment plant or identify an alternative to meet similar standards.

The regional approach would entail completion of a pipeline from Auburn to Lincoln that would be used to transfer wastewater from the North Auburn wastewater treatment plant to the regional facility in Lincoln. Potentially a regional approach would be to the City's benefit as well as the County's. Certainly participation of the City of Auburn is a key element in consideration of the regional solution effecting overall costs and the policy and organizational framework upon which we move forward.

Certain Board members have indicated a willingness to provide financial support to City ratepayers to offset costs that might otherwise be incurred in pursuing a regional solution. It is important to the County to know if the City desires to participate so that we can further refine the costs and approach based on an accurate understanding of jurisdictions that would be participating. You may know that two members of your City Council participated in this special meeting and are aware of the constraints and timelines.

As such, we respectfully ask for time on your City Council agenda at either of your January meetings to address this issue. Board members and County staff remain a resource and are available to provide briefing materials, draft staff reports and/or present information to assist Councilmembers and/or City staff, if desired. Thank you in advance for your timely consideration and response.

Respectfully,

Placer County Board of Supervisors

Robert M. Weygandt, Chairman
Placer County Board of Supervisors

Jim Holmes
Supervisor, District 3

4.2 miles of common pipeline

Segments

- SMD-1 WWTP
- Auburn WWTP
- Combined Flow

City of Auburn

SMD-1 WWTP

Auburn WWTP

Junction Structure

Transition Structure

Connection Point to Lincoln WWTP

1.4 Miles

Placer Nevada Wastewater Authority
Regional Pipeline Project
Alignment Option 1

PROJECT 132665
DATE 02/26/08

BROWN AND CALDWELL

Figure 3

4.2 miles of
common
pipeline

Transition Structure Connection Point to Lincoln WWTP

1.4 Miles

BROWN AND CALDWELL

132665	Figure 3
DATE	02/26/08

Figure 3

132665	02/26/08
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BROWN AND
CALDWELL

Exhibit A

Firm Prices for Construction and Operation of Regional Facilities

	<u>County and Auburn</u>	<u>Stand Alone</u>
Construction Capital Cost*:		
County:	\$64,500,000	\$71,700,000
Auburn:	\$24,500,000**	\$37,500,000
Operation & Maintenance Cost***:		
County:	\$22 per EDU per month****	\$24 per EDU per month
Auburn:	\$21 per EDU per month	\$25 per EDU per month

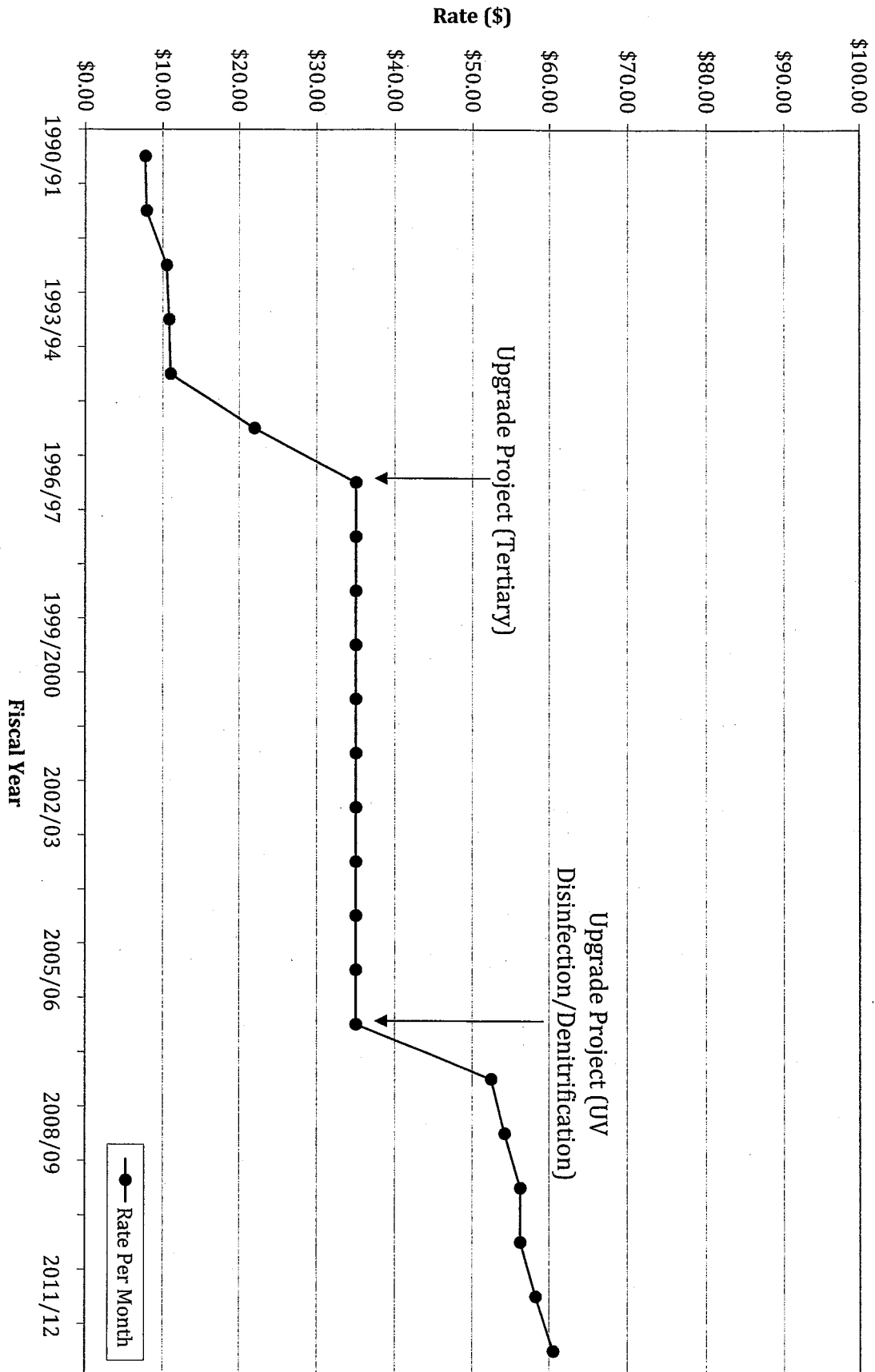
*Includes Construction, Design, Environmental Documentation, Construction Management, Design Services During Construction, Inspection, Project Management, Right of Way, Permitting, Inflation, Oversizing Reimbursement and Contingency. Payments made by Auburn and County associated with the Environmental and Design Agreement will apply toward this amount. The project scope and various terms and conditions including cost adjustments are generally defined in the Draft Construction/Operation Agreement as described in this agreement.

** The amount shown is reduced by \$3M with the provision that Auburn will pay an additional \$3M to Lincoln as Auburn collects development connection charges of an additional \$1,000 per new EDU above and beyond other regional connection charges.

***In January 2011 dollars. Firm price for first five years of operation. Firm price to be escalated from January 2011 based on electricity and chemical unit cost increases and operator cost increase index based on five area wastewater treatment plants of equivalent size and nature as determined by Lincoln. Includes operation and maintenance of all Regional Facilities, secondary treatment at Auburn Wastewater Treatment Plant, addressing creek water as may be required. Funding for future replacement and repair deferred to after initial five years of operation.

****During initial operation, before completion of the WWTRF expansion, economies of scale will be reduced and additional work is needed to operate the WWTRF at capacity. An additional \$3 per EDU per month will be added to the amount shown until the initial WWTRF expansion is complete.

Historical Monthly Residential Sewer Rates



**Follow-up, Information and Clarifications
Related to SMD 1 Compliance
January 18, 2012**

Auburn DAC Status:

There have been a number of follow-up questions related to the City of Auburn's eligibility for principal forgiveness. In order for the City of Auburn to qualify as a DAC to obtain the \$7.5 M total amount of Category 1 funds for a regional project, the Auburn service area must meet **all three** of the qualifying thresholds at the time the construction financing application is submitted:

- 1) Population less than 20,000,
- 2) Median Household Income 80% or less of the statewide MHI, and
- 3) Sewer rates that are 1.5% or more than the MHI of the service area,

While the Auburn service area meets the population threshold, it does not meet the MHI threshold or the sewer rate threshold.

Since Auburn does not meet all three thresholds for Category 1 principal forgiveness, SRF is determining DAC qualification on block-by-block basis. The block analysis should be complete sometime on Thursday, the 19th of January. For each block that qualifies as a DAC (area MHI < 80% of statewide MHI; sewer rate are irrelevant), Auburn would be eligible to receive a pro-rata share of the \$ 5 M for a regional project under Category 2 dependent upon available funding. As noted on the January 9, 2012 notes, availability of Category 2 funds is remote. A recent update indicated that there no funds currently available, and minimal new funds from 2012 may be available in Category 2.

Environmental Review Requirements:

In response to the question: Does the environmental review analysis need to be completed for regional before receiving approval for SRF and/or the potential disadvantage community principle forgiveness?

According to SRF, approval for construction financing requires the following:

"In addition to submitting the final Environmental Document and associated information, the applicant must also submit to the Division copies of the following:

- ✓ *Resolution or similar documents certifying or adopting the document and making appropriate findings, including any Statement of Overriding Considerations for adverse environmental impacts that cannot be avoided or fully mitigated for the Project that is selected;*
- ✓ *An adopted mitigation monitoring and reporting program, if there are proposed mitigation measures (compliance with this program will be a condition of the financing agreement); and*
- ✓ *The Notice of Determination (or NOD) filed with the County Clerk and Governor's Office of Planning and Research."¹*

¹ Policy for Implementing the Clean Water State Revolving fund for construction of Wastewater Treatment Facilities, Amended 2009

DAC principal forgiveness is dependent upon construction financing approval. Therefore, both the financing approval and the principal forgiveness require that the environmental work as outlined above must be complete before the construction financing application can be approved. As I noted in the January 9, 2012 notes, the County should let SRF know the anticipated expiration date needed for the Upgrade application as soon as possible in order to accommodate the regional application process.

Planning Financing (Pre-Construction Costs)

Financing is available for "pre-construction costs". Below, I have outlined a number of key points related to planning financing. The TAC and other officials can use this information to determine if planning financing should be pursued. I will provide additional information and specific tasks related to securing planning financing if it is decided to proceed with planning financing.

Eligible costs for planning financing include the preparation of wastewater-related planning documents, including, but not limited to:

- a. Feasibility Studies/Project Reports
- b. Financial Analyses
- c. Environmental Impact Analyses
- d. Capital Improvement Plans
- e. Water Conservation Plans
- f. Sewer System Evaluation Surveys
- g. Environmental Management Systems
- h. Asset Management Systems

Costs which are not eligible for planning financing include: design, value engineering, construction management, and administration costs associated with the design and construction phases. These costs will be included in the construction financing agreement, and are not eligible for reimbursement under the planning financing agreement.

Financing terms consist of a three-year draw period. The DFA Deputy Director may approve a 180 extension for good cause. The interest rate is zero (0%) during the draw period. The planning financing can be refinanced as part of a CWSRF construction financing before the end of the draw period. Interest will start to accrue the effective date of the construction financing. If the planning financing is not refinanced as part of a CWSRF construction financing, then the planning financing is amortized over five years. Interest will start to accrue at the end of the draw period at the rate of half of the State's GO bond rate on the effective date of the planning agreement (rounded up to the nearest 0.1 percent).

The planning process must be complete prior to approval of construction funding.

The planning financing application has three main components:

- 1) a Plan of Study,
 - a. Scope of Planning Work (all planning docs necessary for construction financing approval)
 - b. Planning Budget
 - c. Planning Schedule (including deliverables and submittal dates)

Clarification and Follow-up

January 18, 2012

J. Windeshausen

Page 2 of 3

- 2) legal documents,
 - a. Legal Authority for entering into a financing agreement
 - b. Agency Resolution
 - i. Authorizing application,
 - ii. Financing amount,
 - iii. Designation of Authorized Representative
 - iv. Joint Powers Agreement detailing financial and management responsibilities of each entity, if applicable
 - v. Related financial commitments
- 3) Financial Documents
 - a. Dedication of Revenue Source (contained in reso above)
 - b. Three Years of Financial Statements
 - c. Identification of other sources of security
 - d. Explanation of existing debt related to pledged revenues and security
 - e. Certain legal opinions from appropriate counsel

Disbursement of financing proceeds must be made based on incurred costs. Evidence of amounts due and payable must be submitted. However, the costs do not have to be actually paid before requesting disbursement.

The estimated approval time frame from the time a complete application is submitted is approximately six to eight (6-8) weeks.

Purchase of Lincoln Plant Capacity

SRF has confirmed that capacity related to SMD1 service area and the City of Auburn's service area qualifies as a cost that can be made from construction loan proceeds. This allows the County and the City to finance the capacity over the term of the construction loan.

30-Year Amortization of Construction Financing

The State Board is still on track to hear this matter on February 7th. No further action to report at this time.

RESOLUTION NO. 12-

REGIONALIZED WASTEWATER TREATMENT PLAN

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

WHEREAS, residents of western Placer County (County), are served by seven separate wastewater treatment agencies that provide wastewater treatment services to approximately 200,000 residents; and

WHEREAS, in 1994 the County updated its General Plan. It's here that county policy to regionalize wastewater treatment began to take shape; and

WHEREAS, in 1998 the County recognized the need to sharpen its focus and commissioned a study to evaluate available options to meet the County's increased wastewater treatment needs; and

WHEREAS, this study recommended that the County pursue a regionalized wastewater treatment plan to include: construction of two new regional wastewater treatment plants, upgrade of an existing wastewater treatment facility, and closure of six small, inefficient facilities; and

WHEREAS, in 2000 the Placer Nevada Wastewater Authority (PNWA) was formed to help advance such projects. As one of its founding members, the City of Auburn remains a member agency; and

WHEREAS, the PNWA has proven to be successful with efforts contributing to the successful construction of a regional wastewater treatment and reclamation facility, the decommissioning of two inefficient facilities, installation of the Bickford Ranch regional pipeline and securing \$10 million in grants; and

WHEREAS, after years of hard work, leadership and a shared vision, nearly forty percent of the regional pipeline to the City of Auburn has been constructed and is in the ground awaiting completion; and

WHEREAS, the regional project under consideration would construct the remaining portions of this pipeline from Lincoln to Auburn. It would transfer wastewater from Sewer Maintenance District 1 (SMD1) in North Auburn to the regional facility in Lincoln, and;

1 **WHEREAS**, completion of a regional project would allow the County to
2 achieve and better comply with increasingly stringent water quality standards
3 and treatment/disposal criteria; and

4 Given all taxpayers in California face increasing regulation and the
5 resulting cost, a regional approach may also benefit the City of Auburn; and

6 **WHEREAS**, such consistent increase in sewer rates reveal the high cost
7 of regulatory compliance, this trend is expected to continue with future cost
8 increases best positioned to be offset with a regional solution; and

9 **WHEREAS**, if such funding is provided, the City of Auburn might
10 determine how such funds might best be utilized for its ratepayers to achieve
11 its goals; and

12 **WHEREAS**, participation of the City of Auburn is a key element in
13 consideration of the regional solution effecting overall costs and the policy and
14 organizational framework upon which will be used as the project advances; an

15 **WHEREAS**, at the December 6, 2011 meeting of the Placer County
16 Board of Supervisors, the board adopted Alternative A and directed staff to
17 proceed with a regional solution for SMD1 compliance and return to the Board
18 no later than March 13, 2012 with recommendations for a final Board decision.
19 The upgrade and expansion of SMD1 remain a fall back option until March 19,
20 2012 in the event a regional solution is not possible. Staff was also directed to
21 collaborate with staff of the City of Auburn, City of Lincoln, including SPMUD.
22 Direction included evaluation of the public/private partnerships with the
23 regionalization option.

24 **NOW, THEREFORE, BE IT RESOLVED**, that the Auburn City Council
25 recognizes this unique opportunity and desires to participate with the County
26 and the City of Lincoln to further evaluate this regional solution. As a result, w
27 direct staff to participate in all relevant discussions and conduct analysis
28 including but not limited to details about County funding support for the City
per the direction of the Board of Supervisors on December 6, 2011. The
Council will return in early March 2012 to consider ultimate participation in thi
regional solution.

DATED: January 23, 2012

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Keith Nesbitt, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 23rd day of January 2012 by the following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk